

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Tuscola County Medical Care Facility	County Tuscola
Fiscal Year End December 31, 2006	Opinion Date April 6, 2007	Date Audit Report Submitted to State April 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

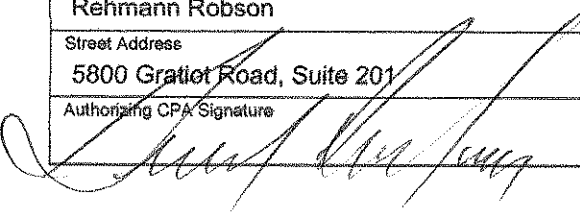
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None	
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989)799-9580	
Street Address 5800 Gratiot Road, Suite 201		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald Desloover	Zip 48605
		License Number 1101007126	

**Tuscola County
Medical Care Facility**

Caro, Michigan

Financial Statements

December 31, 2006

TUSCOLA COUNTY MEDICAL CARE FACILITY

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 6, 2007

Board Members
Tuscola County Medical Care Facility
Caro, Michigan

We have audited the accompanying financial statements of the ***Tuscola County Medical Care Facility***, an enterprise fund of Tuscola County, Michigan, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the ***Tuscola County Medical Care Facility's*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the ***Tuscola County Medical Care Facility*** Enterprise Fund and do not purport to, and do not, present fairly the financial position of Tuscola County, as of December 31, 2006, and the changes in its financial position, or, where applicable its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ***Tuscola County Medical Care Facility***, as of December 31, 2006, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

TUSCOLA COUNTY MEDICAL CARE FACILITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Current assets	
Cash and cash equivalents	\$ 2,112,435
Investments	1,572,480
Taxes receivable - delinquent	8,634
Accounts receivable	1,196,503
Allowance for uncollectible accounts	(122,152)
Net pension asset	186,048
Other assets	31,807
Restricted Cash:	
Patient trust	14,122
Debt service	920,811
	<u>5,920,688</u>
Total current assets	
Capital assets	
Construction in progress	31,425
Land improvements	710,726
Buildings	9,677,887
Equipment	6,576,949
Accumulated depreciation	(2,447,759)
	<u>14,549,228</u>
Total capital assets	
Total assets	<u>20,469,916</u>
Current liabilities	
Accounts payable	390,706
Accrued liabilities	135,510
Patient trust funds	14,122
Deposits payable	26,800
Bonds payable - current	700,000
	<u>1,267,138</u>
Total current liabilities	
Long-term liabilities	
Bonds payable	9,775,000
Deferred discount on bonds	(102,303)
Unearned revenue	197,855
	<u>9,870,552</u>
Total long-term liabilities	
Total liabilities	<u>11,137,690</u>
Net assets	
Investment in capital assets, net of related debt	4,074,228
Restricted for:	
Donor contributions	10,527
Debt service	920,811
Unrestricted	4,326,660
	<u>\$ 9,332,226</u>
Total net assets	

The accompanying notes are an integral part of these financial statements.

**TUSCOLA COUNTY MEDICAL CARE FACILITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Revenues	
Property taxes	\$ 313,630
Charges for services	11,938,841
Other	<u>237,757</u>
Total revenues	<u>12,490,228</u>
Expenses	
Administration	3,200,266
Assisted living operations	102,719
Plant operations and environmental services	59,212
Maintenance	610,347
Central supply	43,280
Laundry	227,533
Housekeeping	445,836
Dietary	1,028,171
Pharmacy	270,090
Nursing	3,895,002
Restorative therapy	197,152
Laboratory	32,650
Diversional therapy	195,946
N.A. training costs	6,037
Professional services	32,055
Radiology	18,628
Depreciation expense	976,466
Maintenance of effort	166,491
Bad debt expense	398,324
Other	<u>3,905</u>
Total expenses	<u>11,910,110</u>
Operating income	<u>580,118</u>
Nonoperating revenues (expenses)	
Property taxes for debt service	1,261,556
Interest earnings	117,712
Loss on disposal of capital assets	(72)
Interest expense and fiscal charges	<u>(413,515)</u>
Total nonoperating revenues	<u>965,681</u>
Change in net assets	1,545,799
Net assets - beginning of year, as restated	<u>7,786,427</u>
Net assets, end of year	<u><u>\$ 9,332,226</u></u>

The accompanying notes are an integral part of these financial statements.

TUSCOLA COUNTY MEDICAL CARE FACILITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash flows from operating activities	
Cash received from customers	\$ 13,311,408
Cash payments to employees	(4,586,777)
Cash payments to suppliers for goods and services	<u>(7,407,703)</u>
Net cash provided (used) by operating activities	<u>1,316,928</u>
Cash flows from capital and related financing activities:	
Property taxes for debt service	1,261,556
Loss on disposal of capital assets	(72)
Acquisition of capital assets	(297,102)
Principal paid on long-term debt	(625,000)
Interest and fiscal charges paid on long-term debt	<u>(413,515)</u>
Net cash provided (used) by capital and related financing activities	<u>(74,133)</u>
Cash flows from investing activities:	
Interest on investments	117,712
Sale of investments	<u>(285,235)</u>
Net cash provided (used) by investing activities	<u>(167,523)</u>
Net increase in cash and cash equivalents	1,075,272
Cash and cash equivalents, beginning of year	<u>1,972,096</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,047,368</u></u>
Cash flows from operating activities	
Operating income	\$ 580,118
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	976,466
Bad debt expense	398,324
Changes in assets and liabilities which increase (decrease) cash:	
Accounts receivable	1,928,294
Accounts payable	(1,059,247)
Accrued liabilities	31,983
Unearned revenue	<u>(1,539,010)</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,316,928</u></u>

The accompanying notes are an integral part of these financial statements.

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tuscola County Medical Care Facility conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Reporting Entity

Tuscola County Medical Care Facility (“Medical Care Facility”) is an Enterprise Fund of Tuscola County (the “County”). The Medical Care Facility is a long-term medical care unit owned and operated by Tuscola County. It is governed by the Tuscola County Department of Human Services Board. The Board consists of three members, two of whom are appointed by the Tuscola County Board of Commissioners and one appointed by the Michigan Governor. Further, the Tuscola County Board of Commissions approves the budget for the facility.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The Medical Care Facility’s operations are reported in an *enterprise fund (a proprietary fund type)*, which is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Medical Care Facility has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The principal operating revenue of the Medical Care Facility is charges to customers for medical services. The Medical Care Facility also recognizes property tax revenue generated from a millage voted for the

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

purposes of supporting operations as operating revenues. Operating expenses for the Medical Care Facility include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Statutory Authority

- Bonds, securities, and other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the day of purchase.
- Banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Medical Care Facility's investment policy allows for Tuscola County to use all of these types of investments when investing on behalf of the Medical Care Facility.

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

Receivables

All receivables are reported at their gross value. Accounts receivable consist of patient receivables that are self-pay and from commercial and third-party insurance payors. Where appropriate, the estimated portion that is expected to be uncollectible is represented as an allowance for uncollectible accounts.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. There are currently no capital assets that have been recorded with an estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

Depreciation is recorded using the straight-line method over the following years:

	<u>Years</u>
Land improvements	5-25
Buildings	5-40
Equipment	3-20

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the capital assets.

Restricted Assets

The Medical Care Facility has certain assets which are classified as restricted on the statement of net assets. These funds are monies held in trust for the patients and monies donated to the Medical Care Facility to be used for major capital expenditures.

Patient Trust Funds

The State Department of Treasury requires facilities to administer and account for monies of patients. The patient trust funds liability on the statement of net assets represents patient trust fund deposits.

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

Deposits Payable

The Medical Care Facility requires patients that are new to private pay to make a deposit of \$2,100 before they are admitted. This deposit is used for their last month of residency at the Facility and other remaining amounts due, if any.

Unearned Revenue

Unearned revenues arise when resources are received by the Medical Care Facility before it has a legal claim to them.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 1. The County levies property taxes on December 1 to fund operations for the following year; such taxes are due without penalty on or before February 14, with the final collection date of February 28, before they are added to the County's delinquent tax rolls.

Pension Plan

The provision for pension cost is recorded on an accrual basis. The Medical Care Facility funds pension costs as they accrue in accordance with actuarial requirements.

Risk Management

The Medical Care Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2006, the Medical Care Facility carried commercial insurance to cover all risk of losses. The Medical Care Facility has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three fiscal years.

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

	<u>Carrying Amount</u>
Financial Statement Captions:	
Cash and cash equivalents	\$ 2,112,435
Investments	1,572,480
Restricted cash	<u>934,933</u>
Total	<u>\$ 4,619,848</u>
Notes to financial statements	
Deposits	\$ 3,047,168
Investments	1,572,480
Cash on hand	<u>200</u>
Total	<u>\$ 4,619,848</u>

Deposits and Investments

The Medical Care Facility chooses to disclose its investments by specifically identifying each. As of year end, the Medical Care Facility had the following investments:

Investment	Maturity In years	Fair Value	Ratings
Michigan Class Accounts	N/A	<u>\$ 1,572,480</u>	S&P P1, Moody A1

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The Medical Care Facility's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The Medical Care

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

Facility's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Medical Care Facility's deposits may not be returned. State law does not require and the Medical Care Facility does not have a policy for deposit custodial credit risk. Because the deposits are in the name of the County Treasurer, the risk associated with these deposits is not determinable.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Care Facility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Medical Care Facility does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the Medical Care Facility's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the Medical Care Facility's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The Medical Care Facility's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the Medical Care Facility's investments are in Michigan Class Accounts. All investments held at year end are reported above.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 31,425	\$ -	\$ 31,425
Capital assets				
Land improvements	\$ 681,338	\$ 29,388	\$ -	\$ 710,726
Building	9,666,195	11,692	-	9,677,887
Equipment	<u>6,352,427</u>	<u>224,597</u>	<u>(75)</u>	<u>6,576,949</u>
Total capital assets being depreciated	<u>16,699,960</u>	<u>265,677</u>	<u>(75)</u>	<u>16,965,562</u>

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Less accumulated depreciation				
Land improvements	\$ (40,342)	\$ (50,445)	\$ -	\$ (90,787)
Building	(608,192)	(790,970)	-	(1,399,162)
Equipment	<u>(822,762)</u>	<u>(135,051)</u>	<u>3</u>	<u>(957,810)</u>
Total accumulated depreciation	<u>(1,471,296)</u>	<u>(976,466)</u>	<u>3</u>	<u>(2,447,759)</u>
Total capital assets being depreciated, net	<u>15,228,664</u>	<u>(710,789)</u>	<u>(72)</u>	<u>14,517,803</u>
Capital assets, net	<u>\$ 15,228,664</u>	<u>\$ (679,364)</u>	<u>\$ (72)</u>	<u>\$ 14,549,228</u>

4. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance December 31, 2006</u>	<u>Due within one year</u>
Bonds payable, Medical Care Facility expansion, maturing in annual installments of \$550,000 to \$1,200,000 through June 1, 2017.					
Interest varies from 7.2 to 8.7%.	<u>\$ 11,100,000</u>	<u>\$ -</u>	<u>\$ (625,000)</u>	<u>\$ 10,475,000</u>	<u>\$ 700,000</u>

General obligation bond debt service requirements to maturity are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 700,000	\$ 382,256
2008	775,000	359,647
2009	800,000	334,538
2010	850,000	307,300
2011	950,000	275,963
2012-16	5,200,000	801,325
2017	<u>1,200,000</u>	<u>25,500</u>
	<u>\$ 10,475,000</u>	<u>\$ 2,486,529</u>

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN

Plan Description. The Medical Care Facility's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Medical Care Facility participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy. The Medical Care Facility is required to contribute at an actuarially determined rate; however, they were not required to contribute to the plan for the current year. Medical Care Facility employees are required to contribute 3.0%-5.0% of their annual covered payroll. The contribution requirements of the Medical Care Facility are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Medical Care Facility, depending on the MERS contribution program adopted by the Medical Care Facility.

Annual Pension Cost. For the year ended December 31, 2006, the Medical Care Facility had no annual pension cost which equaled their required amount but elected to contribute an additional \$12,000 for MERS contributions. The required contribution rate was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method.

The Medical Care Facility's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$ -
Less: Interest on net pension asset	(13,971)
Plus: Adjustment to annual required contribution	<u>14,557</u>
Annual pension cost	586
Contributions made	<u>(12,000)</u>
Increase in net pension asset	(11,414)
Net pension (asset), beginning of year	<u>(174,634)</u>
Net pension (asset), end of year	<u>\$ (186,048)</u>

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Medical Care Facility's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 33 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
12/31/04	\$ 0	100%	\$ 165,942
12/31/05	0	100	174,634
12/31/06	0	100	186,048

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/03	\$ 8,315,528	\$ 7,082,988	\$ (1,232,540)	117%	\$ 4,071,072	(30)%
12/31/04	8,805,851	7,481,746	(1,324,105)	118	4,491,087	(29)
12/31/05	9,179,884	7,958,259	(1,221,625)	115	4,912,174	(24)

TUSCOLA COUNTY MEDICAL CARE FACILITY

NOTES TO FINANCIAL STATEMENTS

6. RESTATEMENTS

During the year ended December 31, 2006, a prior period adjustment in the amount of \$174,635 and \$8,024 was necessary to properly account for the understatement of a net pension asset and delinquent taxes receivable, during the year ended December 31, 2005. The effect on the Statement of Net Assets net asset balance was as follows:

Net assets, beginning of year, as previously stated	\$ 7,603,768
Net pension asset	174,634
Delinquent taxes	<u>8,025</u>
Net assets, beginning of year, as restated	<u>\$ 7,786,427</u>

* * * * *